

**Arizona Early Childhood Development and Health Board  
Policy and Program Committee  
Meeting Minutes  
June 16, 2014**

**Call to Order, Welcome and Introductions**

The Regular Meeting of the First Things First Arizona Early Childhood Development and Health Board Program Committee was held on June 16, 2014 at the Hilton Garden Inn, 4000 North Central Avenue, Payson Conference Room, Phoenix, Arizona 85012.

Chair Decker called the meeting to order at 10:02 a.m.

**Roll Call:**

Cynthia Chavarria performed a roll call.

Members Present: Bill Berk, Dr. Randal Christensen, Amy Corriveau, Janice Decker, Naomi Karp, Laurie Smith, Vivian Juan Saunders (P), Mary Ellen Cunningham (P)

Members Absent: Colleen Day Mach, Toni Harvier, Kenton Laffoon, Dr. Eva Marie Shivers, Alan Taylor, Kim Van Pelt, Brad Willis

**Review and Possible Approval of Meeting Minutes**

Chair Decker called for a motion to accept the meeting minutes of May 15, 2014. Member Christensen moved to accept the minutes and Member Karp seconded. All in favor, none opposed, Chair voted aye and motion passed.

**Program Considerations Related to Fiscal Policy**

Chair Decker thanked Committee Members and Stakeholders who have provided valuable input and comments on the Fiscal Recommendations. Chair Decker introduced a one page document of comments e-mailed from Nancy Mongeau, Regional Partnership Council Member. Committee Members reviewed the handout and Ms. Mongeau's comments will be incorporated into the minutes and are attached.

Chair Decker provided a summary of a work session recently held by the First Things First Board (Board). This session was strictly an informative opportunity to relay the discussions on programmatic recommendations related to fiscal policy which is under consideration and no decisions were sought from the Board. At the May 15, 2014 Program Committee meeting, Members requested additional data and this information will be reviewed today. Chair Decker announced that this is the final opportunity for Member's remarks related to the fiscal recommendations.

Karen Woodhouse addressed the chart identifying five potential approaches and options that this Committee can recommend to the First Things First Board and reviewed the additional data that was requested. For each approach, two additional columns were added which show how many Regional Councils would have a certain percentage of funds available to support other strategies and needs in their communities, in addition to funding Quality First.

For option "E", Member Corriveau asked if Regional Councils chose to fund scholarships at whatever level, would the providers still have to be at 3-4-5 stars and this was affirmative. All current policies would remain the same and Ms. Woodhouse reminded the Committee that in Fiscal Year 2016, scholarships will shift to only 3-5 star programs with a waiver possibility for those Regions who don't have an adequate number of 3-5 star providers. The waiver would allow funding for a 2 star program until providers can move up to a 3-5 star level. The current percentage of Regional Councils who fund scholarships above the required amount is at 60-70%. Most Regional Councils who fund over the baseline are doing so with carry forward funds and with the fiscal decisions being implemented, those carry forward funds will be going away.

Member Smith asked if Quality First is separated from scholarships and the Regional Councils could choose how many scholarships they wanted to fund, is it possible to decrease the reimbursement amounts by a small percentage so they could fill more scholarship slots? Ms. Woodhouse replied yes and Member Smith requested that she'd like this detail be added as an additional point for option "B". Member Corriveau doesn't believe lowering the total reimbursement amounts is going to help with quality because if we're going to decrease or spread out the funding, we're going to lessen quality by that very act. If First Things First has already determined the current price of quality, we can't lessen the rate and expect to keep the same level of quality. Josh Allen, Chief Financial Officer, reminded the Committee that the quality rate wasn't done on a sliding scale; it was based on a market rate and price point per Region. Ms. Woodhouse noted that providers would have a choice to divide a scholarship into two half time positions if they chose to spread out the funding.

Member Christensen voiced the need to first prioritize whether we're recommending that the Regional Councils be free to make funding decisions without First Things First Board (Board) directive or to make their decisions with Board input. Once this is decided we can move to discussing the details of how and on what funds are spent. With revenues dwindling, it is inevitable that quality will be affected. Understanding it will be a difficult decision, he leans toward the Regional Councils having the right to make their own funding decisions. Chair Decker agrees that the Regional Councils need to maintain their autonomy in making regional funding decisions. Member Berk does not agree and believes the Board should provide some input. He believes the Program Committee is making a mistake by choosing one of these options too soon and feels pressured to do so as there has not been enough time allowed to see full results from the Quality First Program as a whole. Chief Executive Officer Sam Leyvas agrees that we need to identify the dynamics on governance. Looking at the statue, we clearly see the intent wasn't to be a "one size fits all model" and there is a natural tension built into this governance system where there must be some compromise. Having carry forward fund balances throughout the years has helped to stall these conversations in the past but this is the point now to make the choices. Mr. Leyvas recognizes Member Berk has some good points on the Quality First model and the need to continue looking at efficiencies and effectiveness of the program.

Chair Decker appreciates Member Berk's and Ms. Mongeau's comments as well as those in a letter received from the Children's Action Alliance. She doesn't disagree with Member Berk's comments but stresses that the Committee can't place this decision on hold until Quality First is fully enacted and all data on the program is available. First Things First can make the model more efficient. We have data to support our work and we've seen an upward progression for providers almost on a monthly basis. We're currently at 38% of our providers at a 3-5 star level compared to 9% of providers four years ago when Quality First began. We see the model and supports are working and need to further focus on those areas that are most indicative of what quality is, measuring those and looking at ways it can scale up.

Member Karp commented that when we talk about Regional Councils vs. First Things First Board (Board) power, we need to remember the children of Arizona don't have this "power" to decide for themselves. From the development of the Proposition 203, Board Member Mathis Basha would say that Arizona needed a system and perhaps the role of the Regional Councils having the freedom to make the decisions based on their community needs was undersold. Whatever the Regional Councils do, they have to look at making decisions and providing options for the bigger picture and Member Karp thinks we've lost sight of this. Member Corriveau voiced she does not know where it was determined that only First Things First should pay for quality and scholarships but somehow we unintentionally arrived to this point. If we're talking about a system as a whole for the state; other agencies and partners need to share the responsibility and be supportive of the system. Member Smith doesn't think having different needs in each region is necessarily bad and can speak for her Region in saying they appreciate the help they're receiving through First things First funding. Member Karp recognizes the different needs but also thinks we need to set some common priorities and everyone needs to contribute to one funding pool, with their remaining funds being spent as they see fits their region.

Member Berk questioned if there still existed a statewide fund for certain programs like Quality First. Ms. Woodhouse clarified that the statewide funding plan pays for the cost of assessments, T.E.A.C.H. Scholarships and some administrative costs of the Quality First initiative. The amount of statewide dollars we used to provide for QF is the same amount, but has now shifted to pay for these Quality First components, and Regional Councils fund the remainder of the cost per provider. Member Berk questioned if with these options could Regional Councils still fund Quality First at a lower level or would they have to provide a certain level? Karen clarified that with options "A" through "D", the Regional Councils would maintain their support of Quality First providers in Fiscal Year 2016. In Option "E", Regional Councils could do whatever they believe was most appropriate with their funding. Member Corriveau questioned if Regional Councils would still have to commit to a three year funding cycle. Michelle Katona, Chief Regional Officer, clarified if the Program Committee recommends one of the options discussed today and the FTF Board approved it the policy would continue for a three year funding cycle so there would be some continuity for providers.

Chair Decker called for other comments. Member Berk favors option "B" and is nervous that with other options, Regional Councils could choose to cut out funding for Quality First completely and believes if this happens, the whole system would suffer and it would be certainly be hard on families.

Ms. Woodhouse reviewed some of the data maps provided to members and reflected that the density of scholarships align with zip codes that have the highest poverty levels in the state. Members were also provided with data charts showing regional zip codes by descending order and it does include poverty levels identified. Review of the maps and data indicates a concentration of high need aligns with geographies where scholarships are being used.

As Member Christensen thinks of Quality First and the research and evaluation data available, he doesn't recommend the Regional Councils use funding as a priority for only Quality First, especially when there are large percentages of programs that have less than 10% of their total funds to decide on what their priorities are. Member Christensen supports option "D". Acknowledging it's a hard decision to make, Member Smith agrees. The Regional Council has prioritized the School Readiness Indicators, with the first indicator being school readiness, the second being supporting families' confidence and competence, the third is providing access to quality and supporting children with special needs in quality and following with prioritization of oral health and healthy body weight.

Chair Decker again recognizes that this is a difficult decision and encourages the Program Committee that after making a decision today, data can be re-reviewed in the future and revisions made if needed.

Member Christensen reiterates that he supports option "D" as it stands. Member Corriveau supports option "D" as it stands, with the understanding that it would de-couple scholarships from Quality First but maintains QF at the current level. Member Berk reiterates that he supports option "B" as it stands but could support option "D" if the First Things First Board would set a required minimum. The Program Committee understands that option "B" is what Member Berk is describing if he supports option "D" while setting a percentage of funds to QF.

Ms. Katona questions if 1-2 star providers receive incentives but 3-5 star programs receive incentives in the form of scholarships you zero out scholarships through the Regional Councils. How do you then incentivize 3-5 star providers to continue forward with increasing quality? Programmatically something would have to be adjusted to provide for an incentive package.

Ms. Woodhouse stated that if the model includes some type of incentive for 3-5 star programs, and currently the model uses scholarships as an incentive, the payment for it still falls on the Regional Council as part of their unit cost. Regional Councils do this now for 2 star rated programs and will continue to do so in Fiscal Year 2016; however, 2 star rated providers will not be eligible to receive scholarships in Fiscal Year 2016. The incentives 2 star programs receive is used to buy materials and equipment to improve quality. For 3 star providers, if scholarships were replaced with another incentive, be it cash, so providers can maintain their quality, and this would still be an investment on the part of the Regional Council. However, the cost may be less than what a Regional Council had to invest for a scholarship. The other option is that there are no incentives at all for 3-5 star programs which might lead to a bigger de-investment from providers who may think there's no reason to be involved in Quality First at all. Option "B" could set a lower percentage baseline rate, but all of the options allow Regional Councils to fund additional scholarships.

Member Christensen still believes Regional Councils should have the choice, and the case for additional supports should be made to other funders and policy makers. He agrees with Member Karp's comment that somewhere we lost our way in terms of systems changes. First Things First was never meant to be the sole provider of funding for child care and quality. Member Saunders agrees that the bottom line is a decision has to be made and efforts have been made to get participation and comments from all involved. Member Cunningham would vote to support option "D" as well. Member Corriveau again states she's supportive of option "D" but is concerned with lowering the cost of reimbursements but would be comfortable separating Quality First from scholarships and taking out the point of lowering the overall scholarship reimbursement rates by 5% and maintaining the rates as they are now. This option still recognizes what it costs to maintain quality, so the reimbursement rate would remain the same, but option "D" would give Regional Councils the opportunity to decide how many scholarships they're funding.

Ms. Woodhouse returned to a point made earlier that if a Regional Council chose not fund scholarships at all, does the Program Committee recommend that from a policy view, First Things First should come up with a baseline that is paid/made available to a 3-5 star provider as an incentive for quality. If this is the case, would this be in the form of scholarships or cash? Member Christensen asked for background on the number of scholarships awarded as part of an incentives plan. Mr. Allen responded that prior to having a full star rated system, incentives were based on the type and size of provider and was not a cash incentive, it was an in kind/cash value incentive to continue to improve quality. Once Quality First ratings were implemented, incentives were provided as scholarships, with a higher value corresponding to a higher star level rating. Ms. Woodhouse shared that heading into Fiscal Year 2015, 38% of programs are at 3-5 star ratings; the majority of programs are 2 star, and about 12 programs at 1 star. There are an almost even number of scholarships going to 3-5 stars as those going to 2 star programs. Member Christensen again states he fully favors option "D" and supports taking out the point on lowering overall scholarship reimbursement rates by 5%, and that he could support having an incentive plan and suggest that it is some type of scholarship. Chair Decker noted that starting for Fiscal Year 2015, it would only be an incentive for those providers at a 3-5 star level.

Member Smith questioned why a 3-5 star provider couldn't also receive incentives in the form of equipment? Staff responded that when a provider reaches a higher level of quality, they no longer need the same type of equipment and materials to provide a quality environment compared to a provider at 1-2 stars. They might better use some type of cash incentive for staff retention, professional development and increasing employee's educational levels, rather than equipment purchases.

CEO Leyvas is hearing that as a group, the Program Committee supports recommending option "D" with the removal of lower overall scholarship reimbursement rates by 5% and that the Board consider this with the inclusion of an incentive to be determined, based on First Things First staff determination on what level of funding would be reasonable. Chair Decker believes the nomenclature is better in option "D". Ms. Woodhouse believes it provides affirmation that FTF supports access for low income families. Member Christensen feels it's more than semantics; the philosophy and the model behind it are changing. Member Berk commented that regardless of calling it a stipend vs. scholarship, there's no guarantee that the funds will go to a family in poverty. If we continue to support an option which includes scholarships, there's a certainty that the funds will go toward low income families' access to quality care. Member Berk states that if we change this, it is undoing the current policy made in 2013 and he still believes it's wrong. Chair Decker recapped that she hears overall support for option "D", taking out the 5% reimbursement deduction and that Regional Councils will still have the opportunity to say whether they fund scholarships at all, and the recognition on the part of the Program Committee that First Things First will make a recommendation on the Quality First model to include incentives for 3-5 star programs and that would be a modification to the Quality First model that would be funded through Regional Council dollars and providers could use these funds any way they choose including for scholarships.

Member Corriveau clarified that the cost of scholarships is significantly greater than the cost of a cash incentive and Member Christensen agrees this would be the point, that incentives would cost less than scholarships. CEO Leyvas is hearing the whole premise of choosing option D is confirming that there is trust the Regional Councils will make the best decisions for their communities. If extending the notion that there is trust in the Regional Council Members' decision making, then it has to wrap around all their decisions. They'll also have to consider, if they reduce the scholarships in a region and are only left with an incentives package, then we lose the connection between being able to target those dollars for families in need. Councils will have to grapple with this realization and make decisions that tie best to their communities. Right now, when we talk of Quality First being an incentive, we can say that the cost of each scholarship is around \$11,000 annually and this would be equitable to what we would provide for a cash incentive. So a Council could determine if they fund an actual scholarship but with incentive, or a provider could use the funds for whatever they felt was most needed related to maintaining and continuing increasing quality. We could even recommend that the Councils do not lose count of providing access to higher quality whatever option is chosen.

Chair Decker hears that the Program Committee is making the recommendation that we go with option "D, to separate Quality First improvement model costs from scholarship costs" with the following points: 1) Separate improvement model costs from scholarship costs; 2) No further guidance on number of regional scholarships funded and; 3) No reduction to number of providers; 4) removing the point on lower overall scholarship reimbursement rates by 5%; and, 5) Regional Councils will still have the opportunity to choose whether or not they fund scholarships at all.

An additional point to option D will be added to convey the Program Committee recommends that First Things First staff add a component to the Quality First model to include incentives for 3-5 star programs. And this would be a modification to the Quality First model which would be funded through Regional Council dollars and providers could use these funds as needed.

Chair Decker called for a motion on the recommendation to the First Things First Board on the Quality First programmatic approach for Fiscal Year 2016. Member Smith moved that First Things First separate Quality First improvement model costs from scholarship costs, provide no further guidance on number of regional scholarships funded, see no reduction to the number of providers and provide incentives to 3-5 star Quality First programs with First Things First staff to determine the exact amount of those incentives. Member Christensen seconded. All Members in favor except for Member Berk who is opposed and voted nay. Chair in favor and motion passed.

Ms. Woodhouse reviewed language to respond to the formal motion made by Member Decker at the April 8, 2014 Board meeting that the Policy and Program Committee examine programmatic considerations on: 1) How regional councils construct funding plans to align programming to available resources; 2) Whether the Quality First model can be adjusted in ways that preserve the overall design and policy intent; and 3) Other program costs that FTF should research to see if they can be lowered while still preserving the design and policy intent. Chair Decker called for a motion on the recommendation to the First Things First Board on the prefaced statement as outlined: "For First Things First to achieve sustainable progress towards its vision and mission, it is important to strategically fund programs and strategies that are most likely to have positive outcomes for the early childhood system, young children, and their families. Critical to this process is the identification of programs and strategies with research evidence

suggesting a greater likelihood they will have the intended positive effect. Such an approach will likely yield greater results from our public investments.”

Member Christensen moved that the Program Committee take the prefaced statement as outlined, include the recommendations for Quality First and forward to the Board in July 2014 as the Policy and Program Committee recommendations. Member Karp seconded. All in favor, none opposed, Chair votes aye, motion carried.

Chair Decker thanked everyone for the commitment and work in making these hard decisions.

**FY 2015 Meeting Dates:**

A survey will be sent to identify dates for the Fiscal Year 15 meetings.

**Adjournment:**

Chair Decker called for further discussion items or member updates and there being none, adjourned the meeting at 12:00 p.m.